

**KANWAKA TOWNSHIP**  
DOUGLAS COUNTY, KANSAS

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
AND

INDEPENDENT AUDITORS' REPORTS

**Gregg A. Neis CPA**

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CERTIFIED PUBLIC ACCOUNTANT

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**KANWAKA TOWNSHIP**  
**DOUGLAS COUNTY, KANSAS**

**TABLE OF CONTENTS**

Independent Auditors' Report on Financial Statements	1-2
<b>Financial Statements</b>	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
<b>Notes to Financial Statements</b>	4-7
Schedule 1	
Summary of Expenditures - Actual and Budget	8
Schedule 2	
Statement of Receipts and Expenditures - Actual and Budget	
General Fund	9
Special Machinery and Fire Contribution Reserve	10

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

July 27, 2017

Board of Trustees  
Kanwaka Township, Douglas County, Kansas  
548 N 1700 Road  
Lawrence, KS 66049

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Kanwaka Township, Douglas County, Kansas a municipality, as of and for the year ended December 31, 2016, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Kanwaka Township, Douglas County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Kanwaka Township, Douglas County, Kansas as of December 31, 2016, or changes in financial position and cash flows there of for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Kanwaka Township, Douglas County, Kansas as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Regulatory Required Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Additional Information

The 2015 actual columns presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedule 2 as listed in the table of contents) are presented for comparative analysis and are not a required part of the 2015 basic financial statement upon which I rendered an unqualified opinion dated August 3, 2016. The 2015 basic financial statement and my accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, at the following link <http://da.ks.gov/ar/muniserv/>. Such 2015 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statement. The 2015 comparative information was subjected to the auditing procedures applied in the audit of the 2015 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 basic financial statement and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the prior year 2015 comparative information is fairly stated in all material respects in relation to the 2015 basic financial statement as a whole, on the basis of accounting described in Note 1.

  
Gregg A. Neis CPA

**KANWAKA TOWNSHIP**  
DOUGLAS COUNTY, KANSAS

**Summary of Receipts, Expenditures and Unencumbered Cash**  
Regulatory Basis  
For the Year Ended December 31, 2016

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Balance</u>	<u>Prior Year</u> <u>Cancelled</u> <u>Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash Balance</u>
<b>Governmental Type Funds:</b>							
General	\$ 857	\$ -	\$ 522,971	\$ 523,566	\$ 262	\$ -	\$ 262
<b>Special Revenue Funds</b>							
Special Machinery Reserve	82,413	-	79	-	82,492	-	82,492
Fire Contribution Reserve	11,387	-	2,043	3,000	10,430		10,430
<b>Total Reporting Entity</b>	<u>\$ 94,657</u>	<u>\$ -</u>	<u></u>	<u>\$ 526,566</u>	<u>\$ 93,184</u>	<u>\$ -</u>	<u>\$ 93,184</u>
<b>Composition of Cash</b>							
			Central Bank of the Midwest, Lawrence, Kansas				
			Checking accounts				\$ 184,121
			Less outstanding checks				<u>90,937</u>
						Total Cash	<u>\$ 93,184</u>

The accompanying notes to financial statements are an integral part of this statement.



**KANWAKA TOWNSHIP**  
DOUGLAS COUNTY, KANSAS

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Kanwaka Township, Douglas County, Kansas, (the Township) is a municipal corporation governed by an elected three member Board of Trustees. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

**Basis of Accounting**

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Township to use the regulatory basis of accounting.

**Departure from Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Township are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

**KANWAKA TOWNSHIP**  
**DOUGLAS COUNTY, KANSAS**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued**

**Regulatory Basis Fund Types**

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Township:

**Governmental Funds**

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

**Assets and Liabilities**

**Deposits**

At year end the carrying amount of the Township's deposits, was **\$93,184**. The bank balance was **\$184,121**. Of the bank balance, **\$250,000** was covered by FDIC insurance. State statutes require Township's deposits in financial institutions to be entirely covered by FDIC insurance or by pledged securities held under joint custody receipts issued by a third-party bank in the Township's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Township, the pledging bank and the independent third-party bank holding the pledged securities.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide the following sequence and timetable in the adoption of the legal annual budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1<sup>st</sup>.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5<sup>th</sup>.



**KANWAKA TOWNSHIP**  
**DOUGLAS COUNTY, KANSAS**

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued**

3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing. Adoption of the final budget on or before August 25<sup>th</sup>. The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget are not required for capital projects funds, agency funds and the following special revenue funds:

Special Machinery Reserve Fund  
Fire Contributions Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulation, other statutes, or by the use of internal spending limits established by the governing body.

**NOTE 2- DEFINED BENEFIT PENSION PLAN**

*Plan Description* Kanwaka Township Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing KPERS (611 South Kansas Avenue; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

*Funding policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates are determined by the member-employee employment date in a covered position at 6 percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation.



**KANWAKA TOWNSHIP**  
DOUGLAS COUNTY, KANSAS

**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2016

**NOTE 2- DEFINED BENEFIT PENSION PLAN – Continued**

KPERS are funded on an actuarial valuation. KPERS are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rates established by statute as of December 31 2016 was 9.18%. The Township employer contributions to KPERS for the year ending December 31, 2016, were **\$9,621**, equal to the statutory required contributions for the year.

*Net Pension Liability:* KPERS has determined the Township's proportionate share of the net pension liability is \$ 90,006 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on the ratio of the Township's contribution to KPERS relative to the total employer and non-employer contributions of the Local subgroup of KPERS. Since the KMMAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements. The complete actuarial valuation report may be obtained from the web site of KPERS at the following link [www.kpers.org](http://www.kpers.org).

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Compliance with Finance-Related Legal and Contractual Provisions**

Management was not aware of statutory violations.

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance during the past fiscal year.

**KANWAKA TOWNSHIP**  
DOUGLAS COUNTY, KANSAS

**Summary of Expenditures - Actual and Budget**  
For the Year Ended December 31, 2016

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>Governmental Type Funds:</b>					
General	\$ 527,299	\$ -	\$ 527,299	\$ 523,566	\$ 3,733

The accompanying notes to financial statements are an integral part of this statement.

**KANWAKA TOWNSHIP**  
**DOUGLAS COUNTY, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures – Actual and Budget

Regulatory Basis

For the year ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Budget	Actual	Variance- Favorable (Unfavorable )	Prior Year Actual
<b>Receipts</b>				
Douglas County Treasurer				
Ad Valorem Property Taxes	\$ 439,212	\$ 428,237	\$ (10,975)	\$ 418,104
Delinquent Property Tax	5,000	10,601	5,601	10,260
Motor Vehicle Taxes	50,495	50,587	92	49,412
Recreational Vehicle Taxes	821	878	57	942
16/20 Motor Vehicle Taxes	640	563	(77)	738
Watercraft	952	1,367	415	1,837
Special City County Highway - Gas Tax	26,994	23,224	(3,770)	25,277
Flood Control	900	1,354	454	1,160
Other Commercial Vehicle	1,735	1,789	54	2,362
Dg Co Dust Palliative Road Reimbursement	-	-	-	160
Township Hall Rent Reimbursement	-	125	125	360
Reimbursement/Refunds		4,052	4,052	14,331
Interest on Idle Funds	50	194	144	255
Total Receipts	<u>\$ 526,799</u>	<u>\$ 522,971</u>	<u>\$ (3,828)</u>	<u>\$ 525,198</u>
<b>Expenditures</b>				
Per Diem Officer Meetings	\$ 14,500	\$ 14,500	\$ -	\$ 14,400
Wages	125,000	108,796	16,204	105,109
Employee Benefits	8,000	28,310	(20,310)	23,610
Equipment	65,000	60,737	4,263	97,983
Building Expense	-	112,560	(112,560)	80,539
Utilities	1,800	9,265	(7,465)	10,684
Insurance	27,000	34,048	(7,048)	28,144
Supplies and Repairs	70,000	27,893	42,107	83,245
Fuel	27,000	7,385	19,615	12,879
Office		413	(413)	1,000
Hired Services	-	10,769	(10,769)	12,570
Communications		5,935	(5,935)	10,031
Road Materials	188,999	68,822	120,177	20,118
Road Dust Control		30,517	(30,517)	30,372
Training		3,616	(3,616)	900
Operating Transfers Out	-	-	-	-
Total Legal Expenditures	<u>527,299</u>	<u>523,566</u>	<u>3,733</u>	<u>531,584</u>
Adjustment for Qualifying Budget Credits				
Total Expenditures	<u>\$ 527,299</u>	<u>\$ 523,566</u>	<u>\$ 3,733</u>	<u>\$ 531,584</u>
<b>Receipts Over (Under) Expenditures</b>	<u>(500)</u>	<u>\$ (595)</u>	<u>\$ (95)</u>	<u>\$ (6,386)</u>
<b>Unencumbered Cash Balance - Beginning</b>	<u>500</u>	<u>857</u>		<u>7,243</u>
<b>Prior Year Cancelled Encumbrance</b>				
<b>Unencumbered Cash Balance - Ending</b>	<u>\$ -</u>	<u>\$ 262</u>		<u>\$ 857</u>

The accompanying notes to financial statements are an integral part of this statement.



**KANWAKA TOWNSHIP**  
**DOUGLAS COUNTY, KANSAS**  
**SPECIAL MACHINERY and FIRE CONTRIBUTION RESERVE**

Schedule of Receipts and Expenditures – Actual\*

Regulatory Basis

For the year ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Actual	Prior Year Actual
<b>Special Machinery Reserve</b>		
<b>Receipts</b>		
Interest on Idle Funds	\$ 79	\$ 81
Total Receipts	<u>79</u>	<u>81</u>
<b>Expenditures</b>		
Equipment		
Road Materials		
Capital Improvements		
Total Expenditures	<u>-</u>	<u>-</u>
<b>Receipts Over (Under) Expenditures</b>	<u>79</u>	<u>81</u>
<b>Other Financing Sources (Uses)</b>		
Operating transfers in		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
<b>Receipts and Other Sources Over (Under)</b>	<u>79</u>	<u>81</u>
<b>Expenditures and Other Uses</b>	<u>82,413</u>	<u>82,332</u>
<b>Unencumbered Cash Balance - Beginning</b>		
<b>Unencumbered Cash Balance - Ending</b>	<u>\$ 82,492</u>	<u>\$ 82,413</u>
<i>*This fund is not required to be budgeted.</i>		
<b>Fire Contribution Reserve</b>		
<b>Receipts</b>		
Interest on Idle Funds	\$ 12	\$ 7
Equipment Grant		\$ 10,700
Contributions/Reimbursements	2,031	3,637
Total Receipts	<u>2,043</u>	<u>14,344</u>
<b>Expenditures</b>		
Equipment	3,000	9,103
Capital Improvements	-	-
Total Expenditures	<u>3,000</u>	<u>9,103</u>
<b>Receipts Over (Under) Expenditures</b>	<u>(957)</u>	<u>5,241</u>
<b>Other Financing Sources (Uses)</b>		
Operating transfers in		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
<b>Receipts and Other Sources Over (Under)</b>	<u>(957)</u>	<u>5,241</u>
<b>Expenditures and Other Uses</b>	<u>11,387</u>	<u>6,146</u>
<b>Unencumbered Cash Balance - Beginning</b>		
<b>Unencumbered Cash Balance - Ending</b>	<u>\$ 10,430</u>	<u>\$ 11,387</u>
<i>*This fund is not required to be budgeted.</i>		

The accompanying notes to financial statements are an integral part of this statement.